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Content

1. International political

Ukraine-EU

European Union wants to sign association agreement, expects improvements in Ukraine first...page 4.

European Parliament delegation visits Ukraine to observe the ex-premier's trial...page 4.

Ukrainian pro-presidential MPs leave Ukraine-EU interparliamentary committee meeting...page 5.

Ukraine says gas deal with Russia signed in Europe's interests...page 5.

Ukrainian pro-presidential party, European Social Democrats not to break ties before upcoming elections...page 5.

European Parliament members speak of sanctions against Ukraine...page 6.

Sweden says Ukraine's European integration suspended...page 6.

France urges Ukraine to release jailed opposition officials...page 6.

Ukraine-Russia

Ukrainian president says Russian counterpart not responsible for 2009 gas contracts...page 6.

Russia makes advance payment for gas transit through Ukraine...page 7.

Russia's Gazprom mulls entering Ukraine's domestic market...page 7.

2. Domestic political

Authorities

Ukraine's constitutional court says no violations in Tax Code...page 7.

Ukrainian public, mass media granted access to income declarations of officials...page 8.

Ukrainian president grants foreign troops access to country's territory...page 8.

Opposition

Ukrainian president says ready to pardon jailed ex-premier...page 8.

Ukrainian president says court to decide on jailed ex-premier's fate...page 9.

Ukrainian bodies face accusations of disclosing private information about ex-premier...page 9.

Ukraine's united opposition accuses authorities of hampering its media campaign...page 9.

Ukrainian opposition files lawsuit over language law vote...page 10.

Court to resume hearing of Lutsenko's case in late June 2012...page 10.

Ex-governor appointed head of united opposition's election campaign in Kharkiv Region...page 10.

Front for Change opposition party councillors shot at in Chernivtsi Region...page 11.

3. Human rights

Ukraine may restrict public access to Internet...page 11.

Stray animals' killer sentenced to four years in prison...page 11.

4. Economics

Ukraine hopes to resume cooperation with International Monetary Fund...page 11.

World Bank cuts outlook on Ukraine, National Bank gives its macroeconomic forecast...page 12.

Ukraine joins top five countries with highest probability of default...page 12.

Ukrainian magazine publishes rating of largest landowners...page 13.

5. Energy market

Ukraine starts reorganization of national energy company...page 13.

Ukraine expects reduction of gas transit through its territory...page 13.

Ukraine looking for new offshore drilling companies...page 14.

Ukraine relies on German natural gas...page 14.

Italy's Eni to extract shale gas in Ukraine...page 14.

INTERNATIONAL POLITICAL**UKRAINE-EU****European Union wants to sign association agreement, expects improvements in Ukraine first**

The European Union (EU) wants to sign the association agreement with Ukraine, the EU commissioner for enlargement and neighborhood policy, **Stefan Fule**, said during a meeting of the Ukraine-EU interparliamentary committee in Strasbourg on 13 June 2012. At the same time, he added that the EU expected that Ukraine would act in the following three sectors: holding elections in line with international standards; solving the problem of selective justice; and, finally, speeding up the implementation of reforms.

Fule also said that “the trials of [Ukrainian opposition leader and former Prime Minister] **Yuliya Tymoshenko** and others were neither transparent nor fair nor did they meet international standards. We know that judges are not really independent and that there is no equality among trial participants”. The EU commissioner stressed that the issue was with “systemic problems” rather than with individuals.

The Lb.ua news and analysis website reported that the European Commission would pay close attention to the court hearings of the case launched against Tymoshenko over the activity of the United Energy Systems of Ukraine company.

A sociological survey conducted by the Gorshenin Institute in November 2010 suggests that 42.3 percent of the population expected that the relations between Ukraine and the EU would improve, 33.9 percent believed that they would remain the same, 14.3 percent of respondents expected them to deteriorate and 9.5 percent of the respondents had a difficulty answering the question.

European Parliament delegation visits Ukraine to observe the ex-premier's trial

On 11 June 2012, the former president of the European Parliament (EP), **Pat Cox**, and former Polish President **Aleksander Kwasniewski** paid a visit to Ukraine to observe a court hearing held in the case against former Ukrainian Prime Minister **Yuliya Tymoshenko**.

During the visit the EP delegates met with government officials, representatives of the opposition, as well as with Tymoshenko's lawyers and family.

The EP delegation and Ukrainian President **Viktor Yanukovych** agreed during a meeting to expand the mandate of the observers. Hence, in addition to Tymoshenko's case, Cox and Kwasniewski will observe the cases of former Ukrainian Interior Minister **Yuriy Lutsenko** and former acting Defence Minister **Valeriy Ivashchenko**. Their mandate will also cover the preparation for the upcoming parliamentary elections in Ukraine.

In his turn, Tymoshenko's lawyer **Serhiy Vlasenko** said that the EP delegation shared the concern of the former prime minister that a court was dragging out the consideration of her appeal against a seven-year sentence which she received for signing gas contracts with Russia in 2009.

The EU commissioner for enlargement and neighborhood policy, **Stefan Fule**, expects that the EP mission to Ukraine should conclude with a concrete assessment of the situation and proposals for further actions, which would be directed towards a solution of the specified problems.

The Lb.ua news and analysis website cited Polish Radio on 12 June 2012 as saying that Kwasniewski did not see at this point a way out of the political crisis which was caused by the criminal cases against Tymoshenko.

Ukrainian pro-presidential MPs leave Ukraine-EU interparliamentary committee meeting

On 14 June 2012, members of the pro-presidential Party of Regions who attended a meeting of the Ukraine-EU interparliamentary committee in Strasbourg refused to participate in the discussion of the final draft of the committee's recommendations and left the meeting.

The Party of Regions explained its actions by the fact that the head of the Ukrainian delegation and an MP of the Our Ukraine-People's Self-Defence opposition parliamentary faction, **Borys Tarasyuk**, had blatantly ignored a demand of the delegation members to exclude from the text of the concluding statement a provision on the government's non-interference in the activity of the judicial system and pressure on court. In the opinion of the Party of Regions MPs, Tarasyuk has exceeded his authority pursuing the interests of his own party in order to undermine Ukraine's reputation in Europe.

In his turn, Tarasyuk said that instead of searching for a compromise during the consideration of the concluding statement, the representatives of the pro-presidential party had demonstrated their inability to work with international partners.

Ukraine says gas deal with Russia signed in Europe's interests

Former Ukrainian Prime Minister **Yuliya Tymoshenko** acted in Europe's interests when she signed gas contracts with Russia in 2009, Ukrainian Foreign Minister **Kostyantyn Hryshchenko** said in an interview with the Italian newspaper Corriere della Sera on 14 June 2012.

He added that the contracts had breached the law and were extremely disadvantageous to Ukraine.

"When [German Chancellor] **Angela Merkel** and others support Tymoshenko, they also support a way of solving problems at the expense of the Ukrainian people," the diplomat said.

At the same time, member of the European Parliament **Rebecca Harms** said on 14 June 2012 that before their signing, the Ukrainian-Russian gas contracts had been assessed by European experts.

Ukrainian pro-presidential party, European Social Democrats not to break ties before upcoming elections

The issues of continuing relations with European Social Democrats will be discussed in November 2012 after parliamentary elections take place in Ukraine, the deputy head of the pro-presidential Party of Regions, **Leonid Kozhara**, said in an interview

with the Ukrainian news website Glavcom.ua on 11 June 2012. The terms of cooperation will have expired by then.

At the same time, Kozhara added that the majority of the parliamentary faction of Social Democratic organizations - the Party of European Socialists (PES) – supported the continuation of cooperation with the Party of Regions.

European Parliament members speak of sanctions against Ukraine

Europe may impose sanctions on Ukraine if its convicted opposition leaders do not participate in the upcoming parliamentary elections, member of the European Parliament **Werner Schulz** told the Ukrainian TV channel 5 Kanal on 14 June 2012.

“For instance, we can consider the business ties of Mr Yanukovych [Ukrainian President **Viktor Yanukovych**] or we can take a look at the schemes linked to large-scale corruption during the construction of the stadium [the Olimpiyskyy sports complex in Kiev] when the stadium ended up three times more expensive than planned,” he said.

On 15 June 2012, the head of the Greens/ European Free Alliance faction, **Rebecca Harms**, said in Ukraine's city of Kharkiv that she would insist on a check by the EU of the documents pertaining to the case launched against former Ukrainian Prime Minister **Yuliya Tymoshenko** over the 2009 gas contracts with Russia.

Sweden says Ukraine's European integration suspended

Court hearings in Ukraine have suspended the country's European integration, Swedish Foreign Minister **Carl Bildt** wrote in his blog after meeting with the Ukrainian ambassador to Sweden on 12 June 2012. “We do not know what will happen next. Ukraine's political leadership holds the key,” the foreign minister noted.

France urges Ukraine to release jailed opposition officials

On 15 June, ahead of the Ukraine-France football match, the French Ministry of Foreign Affairs called on Ukraine to release former Ukrainian Prime Minister **Yuliya Tymoshenko**, former Interior Minister **Yuriy Lutsenko**, the former first deputy defence minister, **Valeriy Ivashchenko**, and former Ecology Minister **Heorhiy Filipchuk**.

UKRAINE-RUSSIA

Ukrainian president says Russian counterpart not responsible for 2009 gas contracts

Russian President Vladimir Putin bears no responsibility for the gas contracts which he signed with former Ukrainian Prime Minister **Yuliya Tymoshenko** in 2009, Ukrainian President **Viktor Yanukovych** said in an interview with the Time Magazine (USA) on 14 June 2012.

“It was Tymoshenko who breached the law. I do not know how you convinced her [to

sign the contracts] and what kind of arguments you presented. This is your business. These are your artistic skills. And personally I do not believe that anyone would dare to accuse you of breaching rules," Yanukovych cited his conversation with Putin.

Russia makes advance payment for gas transit through Ukraine

On 13 June 2012, Gazprom's CEO **Aleksey Miller** said that the company had transferred a 2bn-dollar advance payment to the Ukrainian state-run oil and gas company Naftohaz Ukrayiny for the Russian gas transit.

"We share an understanding that the amount of the advance payment corresponds to that volume of gas which Ukraine should accumulate in its storage facilities in order to prepare for the winter. Should there be a need for more, we would give more. But this figure has been determined by Naftohaz Ukrayiny," Miller said.

Earlier, Naftohaz Ukrayiny informed Gazprom that it would pump into its underground storage facilities only the volume of gas which would cover exclusively Ukrainian needs rather than ensure the transit of Russian gas.

The Dzerkalo Tyzhnya analytical weekly reported that Naftohaz Ukrayiny would use the received advanced payment to purchase reserve gas from Gazprom. It will be used during the wintertime for the needs of the Russian gas monopolist.

Energy expert **Valentyn Zemlyanskyy** believes that Ukraine decided to avoid a conflict with Russia over the pumping of gas into its underground storage facilities and to ensure stable deliveries of Russian gas to Europe. At the same time, he did not rule out that during further negotiations with Russia, Ukraine would return to its proposals regarding commercial use of the Ukrainian underground storage facilities by Russia.

The government forecasted that the deficit of Naftohaz Ukrayiny in 2012 will be approximately 1.5bn dollars or 0.8 percent of GDP. Dragon Capital company estimated that deficit would reach up to 2.6bn dollars.

On 15 June 2012, Naftohaz Ukrayiny said that it had sent Gazprom a request for 27bn cu.m. of gas in 2013. Ukraine imported the same volume of Russian gas this year.

Russia's Gazprom mulls entering Ukraine's domestic market

Gazprom's shareholders have been offered to consider the prospects for entering the Ukrainian heat power sector by means of setting up a chain of fuel stations, gas liquefying companies, as well as electric and heat power stations, the Interfax-Ukraine news agency reported on 13 June 2012.

DOMESTIC POLITICAL

AUTHORITIES

Ukraine's constitutional court says no violations in Tax Code

On 12 June 2012, the Constitutional Court of Ukraine (CCU) ruled that the provision of the Tax Code which stipulates that tax payers are obliged to allow tax authorities to search their offices during inspections did not violate the constitution.

Furthermore, the court decided that the provision which sanctions an administrative arrest of the property of a tax payer who has debts and who lives abroad was constitutional. The provision of the Tax Code which imposes an administrative arrest on the property of a tax payer who was notified about their tax arrears and is transferring the property abroad or to other individuals or concealing it is also in line with the constitution, according to the CCU.

The CCU made these decisions after 53 MPs had requested to consider the constitutionality of the discussed Tax Code provisions.

Ukrainian public, mass media granted access to income declarations of officials

On 11 June 2012, Ukrainian President **Viktor Yanukovich** signed a law which lifted restrictions on free access of Ukrainian citizens and mass media to the information on the income of civil servants.

This document became “a confirmation of the government's transparent work”, the head of the Ukrainian presidential administration, **Serhiy Lyovochkin**, has said.

In the opinion of the former deputy justice minister, **Dmytro Kotlyar**, there might be difficulties with the implementation of this law. He brought up the fact that on 20 January 2012, the Constitutional Court of Ukraine ruled that the information about the property of a public servant represented not only the interests of the state employee but also the interests of his family and is thus confidential. At the same time, Kotlyar added that civil servants can be forced to implement the law only by a court. Yet, a court might side with civil servants after considering the ruling of the Constitutional Court.

Ukrainian president grants foreign troops access to country's territory

On 12 June 2012, Ukrainian President **Viktor Yanukovich** signed a decree which allows military units of foreign countries – the USA and the member countries of the Partnership for Peace programme, Belarus and Russia, - on the Ukrainian territory.

OPPOSITION

Ukrainian president says ready to pardon jailed ex-premier

Ukrainian President **Viktor Yanukovich** said in an interview with the Time Magazine (USA) on 14 June 2012 that he was ready to pardon opposition leader and former Prime Minister **Yuliya Tymoshenko**.

“Of course, of course, I want to,” he said. At the same time, the Ukrainian head of state stressed that he could take such a step only after “courts make their decision, including the European Court of Human Rights”. “However, until courts take their decision... I have no authority to do this [pardon Tymoshenko],” Yanukovich added.

Lawyer **Mykola Tytarenko** said that in his 2010 decree, the president had excluded relatives, defenders and public organizations from those who can seek a pardon for a jailed person.

Tytarenko added that Yanukovych took such a step because he understood very well that Tymoshenko would never ask him to pardon her. The lawyer also said that if the Ukrainian president really wants to pardon the convicted former prime minister, he should change the amnesty decree.

Ukrainian president says court to decide on jailed ex-premier's fate

On 13 June, Ukrainian President **Viktor Yanukovych** said in an interview with the Bloomberg agency that there was no political component in the conviction of former Prime Minister **Yuliya Tymoshenko**. In his opinion, after the European Court of Human Rights considers Tymoshenko's appeal against her jail term, only some procedural violations might be established, without detecting any legal breaches.

At the same time, Yanukovych stressed that Tymoshenko had been involved in the crimes of which she was accused. "This is not a secret for the entire world – it has taken place. This includes the killing of [Ukrainian businessman and politician] **Yevhen Shcherban**. There were motives for that," the president said.

Shcherban was shot dead in 1996.

In response, the opposition Fatherland party said that Yanukovych's statement about Tymoshenko's involvement in the killing of Shcherban as a direct order to convict the former prime minister. "Yanukovych has in fact delivered a guilty verdict to the leader of the united opposition. And this is no longer a question how judges and prosecutors will act in these cases – the highest order has been received," the party stated.

Later, Yanukovych said that it was an exclusive remit of courts to establish whether Tymoshenko was involved in Shcherban's killing.

Ukrainian bodies face accusations of disclosing private information about ex-premier

The lawyers of Ukrainian opposition leader and former Prime Minister **Yuliya Tymoshenko** have filed a lawsuit against the Ukrainian Penitentiary Service and the Ukrainian Health Ministry over disclosing of private information about the jailed prime minister, her lawyer **Serhiy Vlasenko** said on 11 June 2012.

Ukraine's united opposition accuses authorities of hampering its media campaign

The government is destroying advertisements of the opposition, the first deputy head of the opposition Fatherland party, **Oleksandr Turchynov**, said on 14 June 2012. In particular, he said that both international and domestic advertisement agencies are forced to stop cooperation with the opposition because of a threat from the Kiev city authorities that their billboards will be taken down. Turchynov claims that Kiev's utility agencies have been allocated 2.5m dollars for dismantling the opposition's advertisements.

Furthermore, Turchynov said that a similar situation with the advertisement of the opposition forces is observed on TV and radio.

At the same time, Ukrainian President **Viktor Yanukovich** said in an interview with the Time Magazine (USA) on 14 June that the Ukrainian opposition took 99 percent of broadcast time.

In the opinion of the deputy parliamentary speaker and an MP of the Yuliya Tymoshenko Bloc opposition parliamentary faction, **Mykola Tomenko**, such a statement made by Yanukovich shows that he has no grip on the actual situation in Ukraine.

Ukrainian opposition files lawsuit over language law vote

On 11 June 2012, the Yuliya Tymoshenko Bloc opposition parliamentary faction filed a lawsuit over the allegedly illegal voting for the law on state language policy. Representatives of the opposition claim that 62 MPs were missing in the chamber on 5 June 2012 when the voting for the language law took place. At the same time, they say, the cards of the missing MPs were used for voting, which violates the constitution.

For his part, MP of the pro-presidential Party of Regions **Volodymyr Makeyenko** claims that the voting for the law was in line with the parliament procedures.

A co-author of the law, Party of Regions MP **Serhiy Kivalov** believes that lawmakers will support the second reading of the language law on 19 June 2012.

In his turn, Ukrainian parliamentary speaker **Volodymyr Lytvyn** said that the voting for the language law could not take place on 19 June 2012.

Court to resume hearing of Lutsenko's case in late June 2012

On 13 June 2012, the Kyiv Pechersky district court held a hearing of the case against former Interior Minister **Yuriy Lutsenko**, who is accused of establishing illegal surveillance during the investigation into the alleged poisoning of the then presidential candidate **Viktor Yushchenko** in 2004.

The court held its sitting despite the non-appearance of the victim – officer of the Security Service of Ukraine **Valentyn Davydenko**.

During the court session, Lutsenko said that despite his repeated requests, he received no copy of the indictment.

During the hearing, the court heard the first witness – officer of the Interior Ministry **Yevhen Troyan**, who confirmed the lawfulness of Lutsenko's actions.

The court will hold its next meeting on Lutsenko case on 22 June 2012.

Ex-governor appointed head of united opposition's election campaign in Kharkiv Region

On 14 June 2012, the press service ex-governor **Arsen Avakov**, the chairman of the Fatherland party's branch in Kharkiv Region, announced about his

appointment as head of the united opposition's election campaign in the region.

Currently Avakov is staying in Italy, where the court is deciding on his extradition. The Prosecutor's Office of Ukraine accuses Avakov of abuse of power.

Front for Change opposition party councillors shot at in Chernivtsi Region

As the press service of the opposition Front for Change party reported on 16 June 2012, unknown gunmen late on 15 June wounded two local council deputies of the Front for Change party and killed friend in the city of Vashkivtsi, Chernivtsi Region.

The leader of the Front for Change party, **Arseniy Yatsenyuk**, demanded that the Prosecutor General personally supervise the investigation into the incident.

As reported earlier, on the night of 3 June 2012, unknown persons shot at the windows of the Front for Change party's office in Chernivtsi, which is located on the first floor of a residential house.

HUMAN RIGHTS

Ukraine may restrict public access to Internet

On 13 June 2012, Interior Minister **Vitaliy Zakharchenko** addressed the government with a legislative initiative to "regulate" the public's access to the Internet.

According to Zakharchenko, there is a lot of information in the Internet which should be banned from being accessed by the public in general.

Stray animals' killer sentenced to four years in prison

On 11 June 2012, a district court of Kyiv sentenced 19-year-old resident of Kyiv **Oleksiy Vedula** to four years in prison for abuse and killing of more than 100 dogs, and distribution of pictures and videos of the killings in the Internet.

According to a survey conducted by the Gorshenin Institute in February 2011, the majority of Ukrainian citizens (66.7 percent) believe that stray animals present a danger to the public.

ECONOMICS

Ukraine hopes to resume cooperation with International Monetary Fund

In an interview with agency Bloomberg, President of Ukraine **Viktor Yanukovich** said that he believes it is possible to resume cooperation with the

International Monetary Fund (IMF) in 2013.

One of the IMF's main conditions for the resumption of the lending programme is to raise gas prices for the households.

As the Ekonomicheskiye Izvestiya news website reported, citing its source in the government, the gas tariffs may be increased shortly after the parliamentary elections, and this “may be one of the last decisions of the **Mykola Azarov's** government.”

World Bank cuts outlook on Ukraine, National Bank gives its macroeconomic forecast

On 12 June 2012, the World Bank worsened its forecast of Ukraine's economy growth in 2013 from 4 percent to 3.8 percent. At the same time, the World Bank experts left unchanged their GDP growth forecast for 2012 at 2.5 percent.

The World Bank says the main reason behind its decision to cut the outlook on Ukraine for 2013 is deterioration of the business climate in the country.

In an interview with U.S. publication *Fluent in Foreign* dated 8 June 2012, Governor of the National Bank of Ukraine (NBU) **Serhiy Arbuzov** said that the economic growth in Ukraine in 2012 will reach 2-3 percent, inflation 5 percent, and the budget deficit 1.8 percent of GDP.

According to the State Statistics Service, the deficit of foreign commodity trade of Ukraine in January-April 2012 amounted to 4.3bn dollars. This way, the deficit increased 13.5 percent as compared to the same period of 2011.

Deputy Prime Minister, Minister of Social Policy **Serhiy Tihipko** forecasts inflation at 3-3.5 percent.

In his article for *Dzerkalo Tyzhnya* weekly, former Deputy Governor of the NBU **Oleksandr Savchenko** said that the level of credit financing of the economy should be by 3-5 percent higher than the rate of inflation in order for GDP to grow. At the same time, according to him, in January-April 2012 credit activities grew only by 0.1 percent. “At this rate, GDP should enter the negative territory in the next few months,” the expert said.

Ukraine joins top five countries with highest probability of default

On 10 June 2012, *Business Insider* website published a study, according to which Ukraine is ranked fourth among 59 countries facing risk of default.

On 13 June 2012, First Deputy Prime Minister **Valeriy Khoroshkovskyy** said that there are no reasons for default in Ukraine.

According to chief economist of Dragon Capital company **Olena Belan**, the probability of default in Ukraine has increased, but it is not critical.

Ukrainian magazine publishes rating of largest landowners

On 15 June 2012, the Focus magazine published a ranking of the largest landowners in Ukraine.

The first place is held by agricultural holding Ukrlandfarming of **Oleh Bakhmatyuk**. The holding's land bank makes 508 thousand hectares. The second place in the ranking is taken by Kernel company of **Andriy Verevskyy**. Its land bank is 330 thousand hectares. The third leader is **Ihor Hut**, the owner of agricultural holding Mriya, which owns 295 thousand hectares of Ukrainian lands. They are followed by Myronivskyy Khlipoproduct of **Yuriy Kosyuk** (280 thousand hectares), Astarta of **Viktor Ivanchik** and **Valeriy Korotkov** (245 thousand hectares). The sixth place is taken by agricultural holding HarvEast of **Rinat Akhmetov** and **Vadym Novynskyy** with the land bank of 220 thousand hectares.

ENERGY MARKET**Ukraine starts reorganization of national energy company**

On 15 June 2012, Prime Minister **Mykola Azarov** confirmed that the government decided to transform UkrTransHaz and UkrHazVydobuvannya, subsidiaries of state-run energy company Naftohaz Ukrayiny, into public joint-stock companies (PJSC).

Earlier, Interfax-Ukraine news agency reported that all of the stocks in the newly created PJSCs will be transferred for management to Naftohaz Ukrayiny. At the same time, all the assets that are owned and managed by UkrTransHaz and UkrHazVydobuvannya today will be transferred to the respective PJSCs.

It is also planned to leave unchanged the companies' authorized capitals.

UkrTransHaz operates a system of main gas pipelines and underground gas storages of Ukraine. The capacity of the Ukrainian gas transport system is 288bn cubic meters on the intake side, and 178.5bn cubic meters at the output side, including 142.5bn cubic meters in the direction of European countries and 3.5bn cubic meters in the direction of Moldova.

UkrHazVydobuvannya is the country's largest natural gas producer, providing about 75 percent of the total gas production in Ukraine.

Ukraine expects reduction of gas transit through its territory

According to the updated draft of the Energy Strategy of Ukraine released on 12 June 2012, construction of bypass pipelines will reduce transit of natural gas through the Ukrainian gas transportation system by 30 percent (by 24-34bn cu. m.) before 2030, as compared with the volumes recorded in 2011, to 70-80bn cu. m. (baseline forecast).

Ukraine looking for new offshore drilling companies

On 12 June 2012, Naftohaz Ukrayiny, a state-run energy company, expressed its interest in cooperation with a Malaysian company named Petronas in development of deep-water areas of the Ukrainian shelf in the Black Sea.

Ukraine relies on German natural gas

In an interview with the Bloomberg agency, Energy Minister **Yuriy Boyko** said that Ukraine may import about 5bn cu. m. of natural gas a year under the May arrangements with German company RWE.

Italy's Eni to extract shale gas in Ukraine

On 15 June 2012, the Reuters agency reported that Italian oil-and-gas company Eni signed an agreement for the development of shale gas deposits in western Ukraine.

Earlier, Eni announced that it will acquire a 50.01-percent stake in company ZakhidHazInvest, which holds a license for shale gas production in the Lviv coal basin.

ZakhidHazInvest is controlled by state-run company Nadra Ukrayiny and oil-and-gas company Cadogan Petroleum.

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